

**“A STUDY ON COMPARISON BETWEEN INVESTMENT IN EQUITY AND MUTUAL FUND”**

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**ABSTRACT**

*Exposure to powerful the current essay is based on a comparison and analysis of stock investing in terms of risk and return. In addition, the article compares and analyses the risk and return characteristics of the mutual fund schemes. Studying relationships is the primary goal of this research project. mutual funds and equity shares' risk and return using statistical measures like (returns, alpha, beta, standard deviation, Sharpe ratio, Treynor ratio and Jensenratio). The analysis is based on secondary information that was gathered from the websites of Money Control and the BSE. The monthly closing prices of the corporations for the 3 years used in the research study. The top ten firms by market cap in equity as of 2021 are chosen daily, and ten mutual funds are chosen according to large cap/Blue-chip funds and Benchmark BSE Sensex. Due to investors' uncertainty in making the best investment decisions, a study is necessary. Because investments are risky, investors must take a few things into account before purchasing equity shares or mutual funds. According to the study's findings, state bank of India, HSBC Mutual Fund had the best performance among the chosen equity shares, and Canara Robeco Blue-chip Equity Fund and Axis Blue-chip Fund had the best performance among all examined funds during the most recent financial year, which was from 2020 to 2022.*

**Keywords:** Sensex; Amfiindia (AMFI); Blue-chip; Benchmark

**I. INTRODUCTION**

A stock market is a marketplace where investors can transact in financial assets like shares, bonds, and derivatives. A facilitator of this transaction is the stock market. Shares can be bought and sold thanks to this. The main investing options are stock exchanges. In India, there are mainly two stock exchanges: the Association of mutual funds in India and the Bombay Stock Exchange (BSE) (AMFI). The monthly closing prices of the corporations for the 3 years used in the research study. According to the study's findings, state bank of India, HSBC Mutual Fund had the best performance among the chosen equity shares, and Canara Robeco Blue-chip Equity Fund and Axis Blue-chip Fund had the best performance among all examined funds during the most recent financial year, which was from 2020 to 2022. This research set out to contrast the stock market and mutual funds. Both the study design and the survey method used secondary data.

**STATEMENT OF THE PROBLEM:** The study's objectives include assessing the risk, return, and liquidity of various assets in various equity and mutual fund schemes, as well as raising investor knowledge of these products. As a result, the title "Investor Pathways and Awareness: A Comparative Study of Mutual Funds and Equity" was chosen.

**OBJECTIVE OF THE STUDY**

- To determine the benefits of direct equity investment over mutual funds.
- To differentiate between equity risk and return with mutual fund return & risk.
- To compare equity investment with Equity linked mutual funds.

## II. REVIEW OF LITERATURE

SI no	Author name	Journal name	Brief
01	Dr. Mayur Rao, Krupal Patel, Sanjay Patel	A Study of investors' Perceptions Toward mutual funds and Equity Shares (2022)	Examined to how equity and mutual fund investors perceive their investments. This study contributes to our understanding of investors' attitudes toward equity shares and mutual funds. The analysis' findings will clarify investors' perceptions of mutual funds and equity, levels of satisfaction with those products, and investment goals.
02	Dr. Hasina Sayed, Dr. Ruchi Dubey Chaturvedi, Vatsal shah	Investment pattern among Indians with reference to mutual funds & equity shares (2016)	The purpose of this study is to determine whether investors prefer equity shares and mutual funds for their investing needs. It also examines the causal connection between an investor's thinking, expectations, and stock market investment behaviour.
03	Aditi Pandey	'An analysis of investment avenues in India: A comparative analysis of government benchmark returns and equity mutual funds in India (2021)	There are numerous ways for investors to invest their money, but it is crucial to seize the chance that can yield the highest returns. As discussed in the current paper, equity funds offer higher returns than government securities, but they also carry a higher level of risk. Because of this, all businesses are underperforming.
04	Dr.K. Ayappan	'A study on factors Influencing Investment of mutual fund Investment in Thanjavur District (2019)'	Concluded that the expenditure and investment, saving and investment, information use in investment decision-making, priority on investment, investment avenues, perception towards investment, factors motivated to invest, personal and social status of investor, investment preferences, investor knowledge level, and investor problems have all been analysed in this study as factors that affected mutual fund investors and the investment appreciation demonstrated by a number of factors is a result of mutual fund investors' perception.
05	Vinay Kumar	'Performance analysis of select equity mutual funds in India (2019)'	analysis and data presented above lead to the conclusion that mutual funds are the best investment options, but only if held for a longer period. While short-term investments produced very low or even negative returns, those made over a longer period showed positive and above average returns for the five mutual fund schemes we selected.

## III. DATA AND METHODOLOGY

**3.1 DATA USED /COLLECTION:** The data research sources are taken from STOCK prices - BSE (Bombay Stock Exchange) "<https://www.bseindia.com>" website and Net asset value (NAV) "<https://www.amfiindia.com>" website. The subject of the data collection are India's top 10 equities shares and top 10 mutual funds for the last three years, according to market capitalization. The Secondary data is used for analysing the data.

**3.2 RESEARCH DESIGN:** It is used to investigate a problem that has not yet been clearly identified and has not yet been clarified. to assess the performance of equity capital and mutual fund schemes in terms of risk, return, and liquidity.

**3.3 RESEARCH METHODOLOGY:** This study's goal was to assess the performance of the market over the study period compared to a set of equity shares and mutual fund schemes. To evaluate these programmes with the objectives, a risk and return comparison with the market has been made. Under the current study, a variety of statistical and monetary measures are employed to assess the success of several equity share and mutual fund strategies.

**3.4 SAMPLING METHOD:**

- **Relative population:** the Indian mutual fund industry and 30 BSE sensitivity index companies.
- **Sample size:** The top 10 businesses in 10 AMC mutual funds, which are open ended equity diversified direct funds with no preference for any industry or subject, stocks are chosen for inclusion in the equity portfolios based on market capitalization from multiple sectors.
- **Sample Technique:** Based on the Nonprobability Sampling Technique-Judgmental Sampling, the samples are chosen, and equity shares and mutual funds are chosen based on market capitalization.

**3.5 INSTRUMENT DESIGN:** Standard deviation, Alpha, Beta, Sharpe ratio, Treynor ratio, Jensen's Alpha.

**3.6 DATA ANALYSIS:**

- **Statistical tool:** Microsoft Excel

**3.7 HYPOTHESIS:**

- **H0=** The risk and return from an equity investment and a mutual fund are not significantly different.
- **H1=** The risk and return from an equity investment and a mutual fund are significantly different.

**ANOVA**

Source Of Variation	SS	DF	MS	F	P-value	F crit
Rows	0.016038	9	0.001782	0.588877	0.778839	3.178893
Columns	0.000524	1	0.000524	0.17326	0.686981	5.117355
Error	0.027235	9	0.003026			
Total	0.043798	19				

**Inference:** The P value, which is Greater Than 0.05. may be calculated from the above table as being 0.778839. I am fine with the null hypothesis therefore. It demonstrates how drastically different the performance of stocks and mutual funds is.

**3.8 LIMITATIONS:**

1. Only 100 investors can participate in the trial.
2. Bangalore is the only city included in the study.
3. This study is limited to a 'three-years' time frame.
4. Only a few mutual funds and stock options are included in this analysis.

**IV. DATA ANALYSIS AND FINDINGS**

**Table 4.1 Showing based on market value, the top ten businesses' equity risk-return matrices for the year 2020-2022**

Sl. no.	Security name	Return	Sd	Beta	Sharpe ratio	Treynor ratio	Jensen's alpha
1	Reliance industries ltd	-0.10756	1.8577	0.98381	-0.14454	-0.17739	-0.00512
2	Tata consultancy services ltd	-0.08258	1.5650	0.75333	-0.12648	-0.17378	-0.02023
3	HDFC bank ltd	-0.08366	1.7621	1.17289	-0.12264	-0.14223	0.05167
4	ITC ltd	-0.08968	1.6220	0.57349	-0.13203	-0.20947	-0.05862
5	Hindustan unilever ltd	-0.01583	1.4841	0.52378	-0.06212	-0.14699	0.00658
6	Wipro ltd	-0.08410	1.9064	0.80393	-0.12014	-0.16956	-0.01295
7	Infosys ltd	-0.11928	1.7172	0.86409	-0.15929	-0.19879	-0.03767
8	State bank of India	-0.14914	2.0922	1.23257	-0.18197	-0.20488	-0.00342
9	Kotak Mahindra bank ltd	-0.04457	1.9086	1.08598	-0.08056	-0.10783	0.07564
10	ICICI bank ltd	-0.13085	2.1913	1.45447	-0.16220	-0.17808	0.05346

Source: <https://www.bseindia.com>

**TABLE 4.2 Showing the risk-return matrix for the top ten corporations according to market capitalization during 2020-2022**

Sl. no.	Security name	Return	Sd	Beta	Sharpe ratio	Treynor ratio	Jensen's alpha
1	ICICI Prudential mutual fund	-0.02113	0.1182	0.00582	-0.60199	-11.82430	-0.08882
2	Aditya Birla sunlife mutual fund	-0.13011	1.1797	0.71843	-0.18834	-0.22574	-0.07384
3	Tata Mutual Fund	-0.10992	1.0558	0.85094	-0.17499	-0.19065	-0.03059
4	HDFC MutualFund	-0.15490	1.1633	0.68866	-0.21396	-0.25466	-0.10380
5	HSBC MutualFund	-0.01535	0.0567	0.00117	-1.22567	-58.48200	-0.08384
6	SBI Mutual Fund	-0.11015	1.1565	0.97835	-0.16955	-0.18037	-0.00866
7	Kotak Mahindra	-0.02277	0.0682	0.00315	-1.02864	-21.79843	-0.09092
8	Canara Robeco Mutual Fund	-0.01782	0.1672	0.00112	-0.42851	-61.19897	-0.08633
9	DSP Mutual Fund	-0.14724	1.0889	0.64534	-0.21033	-0.25369	-0.10368
10	Axis Mutual Fund	-0.07546	1.0536	0.86244	-0.14066	-0.15511	0.00586

Source: <https://www.amfiindia.com>

**INTERPRETATION:** Table No. 4.1 and 4.2 above displays a summary of the company's equity share and mutual funds statistics. In this companies demonstrates that the ratios for

higher than 1, indicating that the security's price tends to be more volatile than the market; in contrast the ratios when less than 1, indicating that the security's price tends to be less volatile than the market. The performance of a few selected stocks is using the Sharpe, Treynor, and Jensen ratio. These ratios can now be used to rank the funds; the higher the ratio, the higher the rank and the better the return.

**V. CONCLUSION**

Analysing the average return and risk of stocks and mutual funds is the study's goal. Among the chosen equity shares, State Bank of India and ICICI Bank Ltd. had the greatest return. Canara Robeco Mutual Fund and Axis Mutual Fund had the best performance among all examined funds for the most recent financial year 2020–2022. In terms of returns and volatility, Treynor, ITC Ltd., and State Bank of India Equities Fund rank Infosys Ltd. Fund higher when investing in equity funds. In Jensen's analysis, HDFC Bank Limited Fund obtained a higher rating in equities fund investing in terms of returns and volatility than Kotak Mahindra Bank Ltd. and ICICI Bank Ltd.

Equity Funds. Some businesses can provide their investors with positive returns; the annualised returns of HDFC Bank Ltd, Hindustan Unilever Ltd, Kotak Mahindra Bank Ltd, and ICICI Bank Ltd fund are all positive, and the investor receives a solid return. Equity share schemes were shown to have higher risk and higher return, while mutual fund schemes had lower risk and lower return. Although there is minimal fluctuation, the returns are positive, while other companies' average returns are negative. The main goal of the study was to compare equity and mutual fund companies' risk and return calculations. A reliable database's secondary data was acquired for this. An overview of the data analysis and interpretation for this study is provided below: According to the poll, a beginner investor wants to get the best returns on his investments, but it is also essential to set aside time to learn about the stock market and keep an eye on it. Effective portfolio management also requires extensive research and knowledge. Mutual funds have less risk than the stock market, despite their vulnerability to market risk. Fund managers frequently use Treynor's, Sharpe's, and Jensen's alpha performance evaluation measurement ratios to decide which investments to make and how to diversify portfolios.

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